

**REPORT OF THE AUDIT OF THE
HANCOCK COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2001**



**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE HANCOCK COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2001**

The Auditor of Public Accounts has completed the Hancock County Fiscal Court audit for the fiscal year ended June 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Cash balances decreased by \$293,631 from the beginning of the year, resulting in a cash surplus of \$1,365,016 as of June 30, 2001.

Debt Obligations:

Total debt principal as of June 30, 2001, was \$129,932. Future collections of \$142,451 are needed to pay all debt principal and interest.

Landfill Closure and Post-Closure Costs:

The County Landfill closed on June 30, 1995. As of June 30, 1995, 85% of the landfill capacity had been used. Hancock County must comply with established state and federal landfill closure procedures and must perform maintenance and monitoring procedures at the site for 30 years after closure. As of June 30, 1998, the landfill was completely closed. Estimated post-closure care costs total \$700,000 as of June 30, 2001, or \$25,000 per year.

Deposits:

The Fiscal Court's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Jack B. McCaslin, Hancock County Judge/Executive

Members of the Hancock County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Hancock County, Kentucky, as of June 30, 2001, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Hancock County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Hancock County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2001 of Hancock County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Jack B. McCaslin, Hancock County Judge/Executive
Members of the Hancock County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated August 6, 2002 on our consideration of Hancock County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Hancock County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 6, 2002

HANCOCK COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2001

Fiscal Court Members:

Jack B. McCaslin	County Judge/Executive
William H. Covetts	Magistrate
Franklin W. Estes	Magistrate
Michael C. Powers	Magistrate
Loren T. Newton	Magistrate

Other Elected Officials:

Harold W. Newton	County Attorney
Russell M. Jackson	Jailer
Troy B. Russelburg	County Clerk
Noel J. Quinn	Circuit Court Clerk
Ralph D. Bozarth	Sheriff
Dennis R. Long	Property Valuation Administrator
David G. Gibson	Coroner

Appointed Personnel:

Havey A. Hawkins	County Treasurer
Paul S. Gray	Dog Warden
Larry G. Sosh	Road Superintendant

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STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

HANCOCK COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2001

Assets and Other Resources

Assets

General Fund Type

General Fund:

Cash	\$ 1,421,118	
Local Government Economic Assistance Fund:		
Cash	8,756	
Payroll Revolving Account:		
Due From Other Funds	<u>4,281</u>	\$ 1,434,155

Special Revenue Fund Type

E911 Fund:

Cash	86,252
Community Development Block Grant Fund:	
Note Receivable (Note 4)	364,000

Debt Service Fund Type

Kentucky Development Finance Authority Fund:

Note Receivable (Note 4)	75,874
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Other Resources:

General Fund Type

General Fund:

Amounts to be Provided in Future Years for		
Landfill Post-Closure Costs (Note 9)	700,000	
Road and Bridge Fund:		
Amounts to be Provided in Future Years for		
Dozer Principal Payments (Note 6)	54,058	

Debt Service Fund Type

Kentucky Development Finance Authority Fund:

Amounts to be Provided in Future Years for		
Note Payable (Note 5)	<u>75,874</u>	

Total Assets and Other Resources	<u><u>\$ 2,790,213</u></u>
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The accompanying notes are an integral part of the financial statements.

HANCOCK COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2001
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund Type

General Fund:

Landfill Post-Closure Costs (Note 9) \$ 700,000

Road and Bridge Fund:

Cash Deficit 150,645

Lease Purchase Agreement - Principal Payments (Note 6) 54,058

Jail Fund:

Cash Deficit 465

Payroll Revolving Account 4,281 \$ 909,449

Special Revenue Type

Community Development Block Grant Fund:

Deferred Revenue (Note 4) 364,000

Debt Service Fund Type

Kentucky Development Finance Authority Fund:

Deferred Revenue (Note 4) 75,874

Note Payable (Note 5) 75,874

Fund Balances

Reserved:

Special Revenue Fund Type

E911 Fund 86,252

Unreserved:

General Fund Type

General Fund \$ 1,421,118

Road and Bridge Fund (150,645)

Jail Fund (465)

Local Government Economic Assistance Fund 8,756 1,278,764

Total Liabilities and Fund Balances \$ 2,790,213

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

HANCOCK COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2001

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 4,896,555	\$ 3,913,638	\$ 810,092	\$ 38,644
Transfers In	927,500		731,000	196,500
Kentucky Advance Revenue Program	1,488,700	1,488,700		
Total Cash Receipts	<u>\$ 7,312,755</u>	<u>\$ 5,402,338</u>	<u>\$ 1,541,092</u>	<u>\$ 235,144</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 5,128,364	\$ 3,170,181	\$ 1,665,291	\$ 236,111
Transfers Out	927,500	927,500		
Kentucky Development Finance Authority-				
Principal	15,390			
Interest	5,412			
John Deere Credit, Inc.				
Principal	41,020		41,020	
Kentucky Advance Revenue Program Repaid	1,488,700	1,488,700		
Total Cash Disbursements	<u>\$ 7,606,386</u>	<u>\$ 5,586,381</u>	<u>\$ 1,706,311</u>	<u>\$ 236,111</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (293,631)	\$ (184,043)	\$ (165,219)	\$ (967)
Cash Balance - July 1, 2000	<u>1,658,647</u>	<u>1,605,161</u>	<u>14,574</u>	<u>502</u>
Cash Balance - June 30, 2001	<u>\$ 1,365,016</u>	<u>\$ 1,421,118</u>	<u>\$ (150,645)</u>	<u>\$ (465)</u>

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
For The Fiscal Year Ended June 30, 2001
(Continued)

<u>General Fund Type</u>	<u>Special Revenue Fund Type</u>	<u>Debt Service Fund Type</u>
Local Government Economic Assistance Fund	E911 Fund	Kentucky Finance Development Authority Fund
\$ 16,961	\$ 96,418	\$ 20,802
<u>\$ 16,961</u>	<u>\$ 96,418</u>	<u>\$ 20,802</u>
\$ 25,426	\$ 31,355	\$
		15,390 5,412
<u>\$ 25,426</u>	<u>\$ 31,355</u>	<u>\$ 20,802</u>
\$ (8,465) 17,221	\$ 65,063 21,189	\$ 0
<u>\$ 8,756</u>	<u>\$ 86,252</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Hancock County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

Additional - Hancock County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Hancock County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Hancock County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Hancock County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, and Local Government Economic Assistance Fund.

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The E911 Fund and Community Development Block Grant Fund of the Fiscal Court are reported as Special Revenue Fund Types.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Kentucky Development Finance Authority Fund. Debt service is provided through monthly payments from Arvin Roll Coater Inc., in the amount of the debt service requirements for the year.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Hancock County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Kentucky Development Finance Authority Fund because the Department for Local Government does not require this fund to be budgeted.

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2001, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 4. Receivables

- A. The County loaned \$364,000 to World Source Industries Inc., on June 14, 1990, for the purpose of land acquisition. This has since been assumed by Arvin Roll Coater Inc. Terms of the agreement stipulate a one-time payment on June 14, 2005. Arvin Roll Coater Inc. is in substantial compliance with the terms of the agreement. As of June 30, 2001, principal balance due was \$364,000.
- B. The County loaned \$200,000 to World Source Industries, Inc., on August 21, 1990, for the purpose of land acquisition. This has since been assumed by Arvin Roll Coater Inc. Terms of the agreement stipulate a 15-year repayment schedule at interest of 6.421%. Arvin Roll Coater Inc. is in substantial compliance with the terms of the agreement. As of June 30, 2001, principal balance due was \$75,874.

Note 5. Note Payable

The County borrowed \$200,000 from the Kentucky Development Finance Authority for the purpose of land acquisition. Terms of the agreement stipulate a 15-year repayment schedule at interest of 6.421%. The County is in substantial compliance with the terms of the agreement. As of June 30, 2001, the principal balance due was \$75,874.

Fiscal Year Ending	Interest	Principal
June 30, 2002	\$ 4,394	\$ 16,408
June 30, 2003	3,309	17,493
June 30, 2004	2,152	18,650
June 30, 2005	919	19,883
June 30, 2006	27	3,440
Totals	<u>\$ 10,801</u>	<u>\$ 75,874</u>

Note 6. Lease-Purchase Agreement

The county entered into a lease-purchase agreement with John Deere Credit, Inc. for a dozer. The principal amount due was \$100,000 at the inception of the lease. As of June 30, 2001, the principal balance due was \$54,058.

Fiscal Year Ending	Interest	Principal
June 30, 2002	\$ 1,635	\$ 42,986
June 30, 2003	83	11,072
Totals	<u>\$ 1,718</u>	<u>\$ 54,058</u>

HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 7. Insurance

For the fiscal year ended June 30, 2001, Hancock County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Cash Balance Restated

The beginning cash balance of the General Fund has been restated by \$881,102. During fiscal year ended, June 30, 2000, the Occupational and Landfill bank accounts were incorrectly presented in the prior year audit report. These bank accounts should have been included with the General Fund and not shown as separate funds.

Note 9. Deficit Fund Balances

The fiscal court had deficit fund balances of \$150,645 and \$465 in the Road and Bridge Fund and Jail Fund respectively as of June 30, 2001. The fiscal court also had a surplus fund balance of \$1,421,118 in the General Fund as of June 30, 2001. The fiscal court could have transferred funds from the General Fund to eliminate these deficits; however, these deficits were not eliminated until the next fiscal year.

Note 10. Landfill Closure and Post-Closure Costs

The County Landfill closed on June 30, 1995. As of June 30, 1995, 85% of the landfill capacity had been used. Hancock County must comply with established state and federal landfill closure procedures and must perform maintenance and monitoring procedures at the site for 30 years after closure. As of June 30, 1998, the landfill was completely closed. Estimated post-closure care costs total \$700,000 as of June 30, 2001, or \$25,000 per year. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. It is anticipated that closure and post-closure costs will be paid out of the General Fund to the extent that funds are available with any excess costs being funded using long-term borrowing.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

HANCOCK COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2001

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 4,362,858	\$ 3,913,638	\$ (449,220)
Road and Bridge Fund	1,818,684	810,092	(1,008,592)
Jail Fund	204,781	38,644	(166,137)
Local Government Economic Assistance Fund	44,375	16,961	(27,414)
<u>Special Revenue Fund Type</u>			
E911 Fund	<u>101,100</u>	<u>96,418</u>	<u>(4,682)</u>
Totals	<u>\$ 6,531,798</u>	<u>\$ 4,875,753</u>	<u>\$ (1,656,045)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 6,531,798
Add: Budgeted Prior Year Surplus			1,659,701
Less: Other Financing Uses			<u>(1,529,720)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 6,661,779</u>

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SCHEDULE OF OPERATING REVENUE

HANCOCK COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2001

Revenue Categories	GOVERNMENTAL FUND TYPES			
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type	Debt Service Fund Type
Taxes	\$ 3,120,025	\$ 3,025,455	\$ 94,570	
In Lieu Tax Payments	52,822	52,822		
Excess Fees	98,368	98,368		
Licenses and Permits	1,348	1,348		
Intergovernmental Revenues	1,258,116	1,258,116		
Charges for Services	95,048	95,048		
Miscellaneous Revenues	126,695	105,893		20,802
Interest Earned	144,133	142,285	1,848	
Total Operating Revenue	<u>\$ 4,896,555</u>	<u>\$ 4,779,335</u>	<u>\$ 96,418</u>	<u>\$ 20,802</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

HANCOCK COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2001

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,111,204	\$ 843,522	\$ 267,682
Protection to Persons and Property	871,896	862,149	9,747
General Health and Sanitation	544,408	306,213	238,195
Social Services	73,223	88,327	(15,104)
Recreation and Culture	342,121	322,725	19,396
Roads	1,634,364	1,514,041	120,323
Airports	2,000		2,000
Debt Service	378,324	324,891	53,433
Administration	1,589,139	835,142	753,997
Total Operating Budget - All General Fund Type	\$ 6,546,679	\$ 5,097,010	\$ 1,449,669
Other Financing Uses:			
Borrowed Money-			
Dozer - Principal Payment	41,020	41,020	
Kentucky Advanced Revenue Program - Principal	1,488,700	1,488,700	
TOTAL BUDGET - GENERAL FUND TYPE	<u>\$ 8,076,399</u>	<u>\$ 6,626,730</u>	<u>\$ 1,449,669</u>
Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property	\$ 51,000	\$ 31,354	\$ 19,646
Administration	64,100		64,100
TOTAL OPERATING BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 115,100</u>	<u>\$ 31,354</u>	<u>\$ 83,746</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Jack B. McCaslin, Hancock County Judge/Executive

Members of the Hancock County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Hancock County, Kentucky, as of and for the year ended June 30, 2001, and have issued our report thereon dated August 6, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Hancock County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hancock County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 6, 2002

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

HANCOCK COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2001

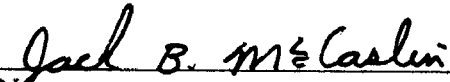
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

HANCOCK COUNTY FISCAL COURT

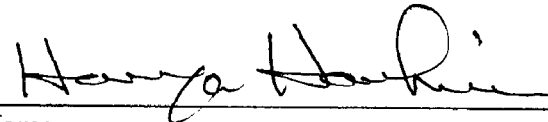
Fiscal Year Ended June 30, 2001

The Hancock County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name

County Judge/Executive



Name

County Treasurer